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VENTURE CAPITAL FINANCING 216H1S

Spring, 2004

**Professor Jeffrey G. MacIntosh
Faculty of Law
University of Toronto**

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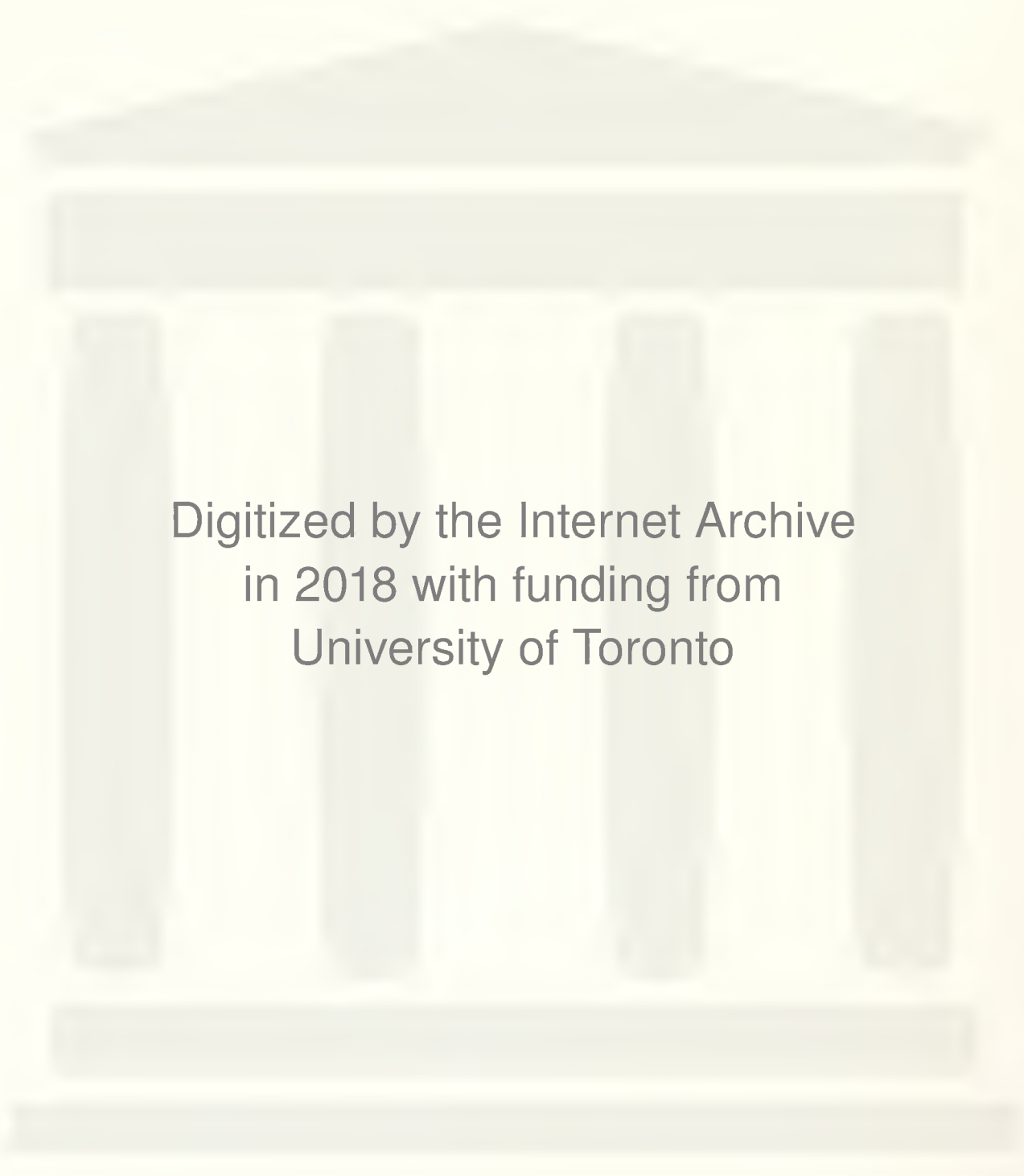
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FACULTY OF LAW
UNIVERSITY OF TORONTO

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VENTURE CAPITAL FINANCING

Professor Jeffrey G. MacIntosh

Faculty of Law

University of Toronto

Spring, 2004

Wednesday, 2:10 – 4:00 P.M.

Pre-requisite: Business Organizations

Pre-requisite or co-requisite: Securities Regulation

This course may be used to satisfy the Extended Paper requirement. It is also a Perspective Course.

Syllabus Entry

Venture capital financing has become a major source of capital for small technology-driven firms. In this course we will examine the following:

1. What is venture capital? How is it distinguished from other sources of financing? What kinds of firms use venture capital financing?
2. The history of the venture capital industry in Canada, with a focus on the past 10 years.
3. The size and structure of the venture capital industry. In this respect, we will look at Labour Sponsored Venture Capital Corporations, private funds, corporate funds, government funds, and institutional funds, with a focus on the first two types.
4. Legal documentation for a typical venture capital deal, including the term sheet, subscription agreement, and shareholders' agreement.
5. The nature of the legal agreements binding investors with venture capital fund managers.
6. Venture capital "exits", the means by which venture capitalists harvest their investments and move on to other investments, with a particular focus on initial public offerings.

7. How venture capital in Canada compares to venture capital in other countries.

8. The nature and structure of the angel investor industry in Canada (an important precursor to venture capital financing).

The course will involve visits by a significant number of market actors, including venture capitalists, lawyers, investment bankers, and others. The practical perspective furnished by these visitors will be counter pointed by an academic analysis of various aspects of the venture capital industry, from the viewpoint of the financial economist.

Evaluation: will be by a paper of approximately 30 pages in length.

Syllabus

January 7, 2004: Course Introduction and Overview

Jeffrey G. MacIntosh, Legal and Institutional Barriers to Financing Innovative Enterprise in Canada, pp. 1-40

Jeffrey G. MacIntosh, “The Banks and Innovative Enterprise: Opportunities and Constraints”, in Richard J. Braudo and Jeffrey G. MacIntosh, eds., Competitive Industrial Development in the Age of Information (London: Routledge, 1999)

January 14, 2004: The Financial Economics of Venture Capital

William A. Sahlman, “The Structure and Governance of Venture Capital Organizations” (1990), 27 J. Fin. Econ. 473

January 21, 2004: Michael Honein, Mary Macdonald & Associates (Toronto): Statistical Review of the Venture Capital Industry in Canada

Material to be handed out at previous week’s class.

NOTE THE REVISED DATE FOR THE FOLLOWING CLASS!!!

January 23, 2004 (Friday): 2:10 – 4:00 PM: Flavelle A: Professor Allan Riding, Eric Sprott School of Business, Carleton University: The Angel Investor Market in Canada

Go to:

<http://strategis.ic.gc.ca/epic/internet/insbrp-rppe.nsf/vwGeneratedInterE/rd00530e.html>

...and read all of the material by Equinox Management Consultants (there are three papers) under the heading “Risk Capital” then under “Informal Equity” (these papers are all authored by Allan Riding)

January 28, 2004: NO CLASS

February 4, 2004: Labour Sponsored Venture Capital Corporations:
Boon or Bane?

Douglas J. Cumming and Jeffrey G. MacIntosh, "Crowding Out Private Equity: Canadian Evidence", University of Alberta and University of Toronto working paper

Douglas J. Cumming, "Mutual Funds that Invest in Private Equity? An Analysis of Labour Sponsored Investment Funds", University of Alberta and University of Toronto working paper

February 11, 2004: Russell Sacks: Shearman and Sterling (New York):
U.S. Regulation of Venture Capital

Material to be handed out at previous week's class.

February 18, 2004: Reading Week: No Class

February 25, 2004: Venture Capital Exits

Douglas J. Cumming and Jeffrey G. MacIntosh, "Venture Capital Exits in Canada and the United States" (with Douglas J. Cumming), (2003) 53 University of Toronto Law Journal 101-200 (pp. 101-169)

March 3, 2004: Jay Heller, VenGrowth Capital Partners Inc.: Venture
Capital Fund Formation and Attributes

Material to be handed out at previous class.

